

NOTICE TO THE SHAREHOLDERS OF
LOMBARD ODIER FUNDS - SYSTEMATIC EUROPE EQUITY
LOMBARD ODIER FUNDS - EUR SOVEREIGN TREASURY 1-3

Dear Shareholder,

The Board of Directors of Lombard Odier Funds (the "**Company**") hereby informs shareholders that it has resolved, in accordance with section 17 (c) of the prospectus and article 27 (c) of the Company's articles of incorporation, to merge some sub-funds of the Company (the "**Merging Sub-Fund(s)**") with other sub-funds of the Company (the "**Absorbing Sub-Fund(s)**"), with effect on Valuation Day 24 September 2010 (the "**Effective Date**"), their assets being far below the equivalent in EUR of USD 50 million.

1. Details of the mergers

On the Effective date, the assets and liabilities of the Merging Sub-Funds will be contributed respectively to the Absorbing Sub-Fund as follows:

Merging Sub-Fund	Absorbing Sub-Fund
LO Funds - Systematic Europe Equity	LO Funds - Europe
LO Funds - EUR Sovereign Treasury 1-3	LO Funds - Total Return Bond (EUR)

On the Effective Date, shareholders of each Merging Sub-Fund will receive shares of the corresponding Absorbing Sub-Fund. Categories of shares of the Merging Sub-Funds and the Absorbing Sub-Funds will correspond. The number of shares to be allocated to the shareholders of the Merging Sub-Funds will be determined on the basis of the exchange ratio corresponding to the respective net asset values of each Merging Sub-Fund and corresponding Absorbing Sub-Fund, calculated in accordance with the provisions of the prospectus and audited on the Effective Date.

2. Main differences between the LO Funds - Systematic Europe Equity and the LO Funds - Europe

The LO Funds - Systematic Europe Equity and its corresponding Absorbing Sub-Fund have identical features in terms of legal regime, investment restrictions (UCITS restrictions), reference currency (EUR), initial charge (up to 5%), redemption charge (none), conversion charge (up to 0.50%), discretionary dealing charge, initial minimum investment and minimum holding (equivalent of EUR 1,000 for R Shares, EUR 3,000 for P Shares and EUR 0.7 million for I Shares), subscription and redemption procedure and Investment Manager (Lombard Odier Darier Hentsch & Cie).

Differences between the LO Funds - Systematic Europe Equity and its corresponding Absorbing Sub-Fund may be summarized as follows:

LO Funds - Systematic Europe Equity

LO Funds - Europe

Investment Policy

A sub-fund invested primarily (at least 90% of its portfolio) in equity securities, issued by companies incorporated or exercising a prominent part of their business activities in Europe, and selected through the use of a quantitative management method. At least 75% of the sub-fund's assets will be invested in equity securities issued by companies incorporated in a member State of the European Union. The Investment Manager uses its discretion with regard to the method used but always with the intention to obtain a large degree of diversification of the portfolio. The Investment Manager is authorized to use financial derivative instruments (in particular, but not limited to, options, futures and CFDs) not only for hedging purposes or for efficient portfolio management but also as part of the investment strategy, subject always to the limits permitted by the Investment Restrictions described in Section 4 of the prospectus, so as to increase or decrease the sub-fund's exposure to certain securities, industries or markets.

The sub-fund may (i) in normal market conditions, hold on a temporary and ancillary basis up to 15% of its net assets in Cash and Cash Equivalents and (ii) hold up to 10% of its net assets in UCIs. The use of SFIs as well as the description of the profile of the typical investor are described in paragraph 3.1 of the prospectus.

A sub-fund invested primarily (at least 90% of its portfolio) in equity securities issued by companies incorporated or exercising a prominent part of their business activities in countries of the EEA and Switzerland. The Investment Manager is authorized to use financial derivative instruments not only for hedging purposes or for efficient portfolio management but also as part of the investment strategy, subject always to the limits permitted by the Investment Restrictions described in Section 4 of the prospectus.

The sub-fund may (i) in normal market conditions, hold on a temporary and ancillary basis up to 15% of its net assets in Cash and Cash Equivalents and (ii) hold up to 10% of its net assets in UCIs. The use of SFIs as well as the description of the profile of the typical investor are described above in paragraph 3.1 of the prospectus.

The sub-fund faces the same risks as the LO Funds - Systematic Europe Equity except the Model risk which only applies to the LO Funds - Systematic Europe Equity.

Total Management and Distribution Fees

- R Shares: 1.50%
- P Shares: 1.00%
- I Shares: 0.50%

- R Shares: 2.00%
- P Shares: 1.50%
- I Shares: 0.75%

Performance Fees

None

15% on the relative performance of the sub-fund compared to its benchmark MSCI Europe on a quarterly basis, subject to a Relative High Water Mark.

Marketing Fees

None

Up to 0.05%

3. Main differences between the LO Funds - EUR Sovereign Treasury 1-3 and the LO Funds - Total Return Bond (EUR)

The LO Funds - EUR Sovereign Treasury 1-3 and its corresponding Absorbing Sub-Fund have identical features in terms of legal regime, investment restrictions (UCITS restrictions), reference currency (EUR), initial charge (up to 5%), redemption charge (none), conversion charge (up to 0.50%), marketing fees (none), discretionary dealing charge, initial minimum investment and minimum holding (equivalent of EUR 1,000 for R Shares, EUR 3,000 for P Shares and EUR 0.7 million for I Shares), subscription and redemption procedure and Investment Manager (Lombard Odier Darier Hentsch & Cie).

Differences between the LO Funds - EUR Sovereign Treasury 1-3 and its corresponding Absorbing Sub-Fund may be summarized as follows:

LO Funds - EUR Sovereign Treasury 1-3

LO Funds - Total Return Bond (EUR)

Investment Policy

A sub-fund invested, at least two-thirds (2/3rds) of its assets, in bonds, other fixed or floating-rate debt securities and short-term debt securities, denominated in EUR, with a minimum rating of BBB or equivalent by the rating agencies described in paragraph 3.7 of the prospectus or of equivalent quality in the opinion of the Investment Manager, issued or guaranteed by sovereign issuers participating in the EMU and supranational institutions. Up to one-third (1/3rd) of the sub-fund's assets may be invested in bonds, other fixed or floating-rate debt securities, short-term debt securities issued or guaranteed by a member State of the OECD with a minimum rating of AA, and/or Cash and Cash Equivalents. The sub-fund will have an average maturity of 1 to 3 years. The sub-fund may be exposed to a limited number of sovereign EMU issuers. The Investment Manager is authorized to use financial derivative instruments (in particular, but not limited to credit (including CDS), interest rate, inflation, currency and volatility derivatives) not only for hedging purposes or for efficient portfolio management but also as part of the investment strategy, subject always to the limits permitted by the Investment Restrictions described in Section 4 of the prospectus.

The sub-fund may hold up to 10% of its net assets in UCIs. The use of SFIs as well as the description of the profile of the typical investor are also described above in paragraph 3.1 of the prospectus.

A sub-fund invested at least two-thirds (2/3rds) of its assets in bonds, other fixed or floating-rate debt securities and short-term debt securities, denominated in EUR, issued by sovereign or non-sovereign issuers and graded at least BBB or equivalent by the rating agencies described in paragraph 3.7 of the prospectus or of equivalent quality in the opinion of the Investment Manager. Up to one-third (1/3rd) of the sub-fund's assets may be invested in (i) debt securities denominated in other currencies, (ii) debt securities which may be graded below BBB but not lower than B or of equivalent quality in the opinion of the Investment Manager, (iii) convertible bonds and/or (iv) Cash and Cash Equivalents. The Investment Manager is authorized to use financial derivative instruments (in particular, but not limited to credit (including CDS), interest rate, inflation, currency and volatility derivatives) not only for hedging purposes or for efficient portfolio management but also as part of the investment strategy, subject always to the limits permitted by the Investment Restrictions described in Section 4 of the prospectus. The Investment Manager will use its discretion with regard to the selection of markets (including emerging markets) and maturity of the portfolio. In times of increasing volatility the Investment Manager may invest temporarily up to 100% of the sub-fund's portfolio in Cash and Cash Equivalents.

The sub-fund may hold up to 10% of its net assets in UCIs. The use of SFIs as well as the description of the profile of the typical investor are also described above in paragraph 3.1 of the prospectus.

LO Funds - EUR Sovereign Treasury 1-3

LO Funds - Total Return Bond (EUR)

The sub-fund basically faces the same risks as the LO Funds - EUR Sovereign Treasury 1-3 except the risks associated with investments in below investment grade securities, convertible securities and emerging markets, which only apply to the LO Funds - Total Return Bond (EUR).

Total Management and Distribution Fees

- R Shares: 0.75%
- P Shares: 0.50%
- I Shares: 0.25%

- R Shares: 1.25%
- P Shares: 0.90%
- I Shares: 0.45%

Performance Fees

None

10% on the relative performance of the sub-fund compared to its hurdle rate Eurozone HICP Inflation + 2% on a yearly basis, subject to an Absolute High Water Mark.

4. Dealing in Shares

The shareholders of the Merging Sub-Funds may apply for redemption of their shares without redemption charge until 23 September 2010 at 3 p.m. (Luxembourg time) at the latest. After that date, the shareholders of the Merging Sub-Funds who have not applied for such redemption will receive shares of the corresponding Absorbing Sub-Fund on the basis of the aforementioned exchange ratio.

5. Other information

Provisions of EUR 19,320 and EUR 12,585 will be made on the Effective Date for the costs relating to the mergers of the LO Funds - Systematic Europe Equity and the LO Funds - Europe, respectively of the LO Funds - EUR Sovereign Treasury 1-3 and the LO Funds - Total Return Bond (EUR). The mergers will not subject shareholders of the Merging Sub-Funds to taxation in Luxembourg. Investors may be subject to taxation in their tax domiciles or other jurisdictions where they pay taxes. As tax laws differ widely from country to country, investors are urged to consult their tax advisers as to the tax implications of the mergers in their individual cases.

The current version of the prospectus, simplified prospectus, articles of incorporation and the last annual and semi-annual reports of LO Funds are available, free of charge at the registered office of the Company.

The Board of Directors

Luxembourg, 24 August 2010